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An Overview of USDA Rural Development Programs

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Tadlock Cowan
Analyst in Natural Resources and Rural Development Policy
Resources, Science, and Industry Division

Congressional Research Service

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An Overview of USDA Rural Development Programs

Summary

More than 88 programs administered by 16 different federal agencies target rural economic development. The United States Department of Agriculture (USDA) administers the greatest number of rural development programs and has the highest average of program funds going directly to rural counties (approximately 50%). The Rural Development Policy Act of 1980 designated USDA as the lead federal agency for rural development. The Federal Crop Insurance Reform and Department of Agricultural Reorganization Act of 1994 created the Office of the Undersecretary for Rural Development and consolidated the rural development portfolio into four principal agencies responsible for USDA's mission area: the Rural Housing Service, the Rural Business-Cooperative Service, the Rural Utilities Service, and the Office of Community Development.

Beginning with the FY2008 Consolidated Appropriations Act (P.L. 110-161), funding for the three Rural Community Advancement Program (RCAP) accounts is provided under their respective administering agencies, the Rural Housing Service, the Rural Business Service, and the Rural Utilities Service, respectively.

This report provides an overview of the various programs administered by the four USDA agencies, their authorizing legislation, program objectives, eligibility criteria, and FY2005-FY2008 funding for each program. This report will be updated as new USDA Rural Development programs are implemented or amended.

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An Overview of USDA Rural Development Programs

U.S. Rural Policy: Background

When the effects of the 1929 Depression began to be felt by the rest of the nation, rural residents had been struggling for several years with low incomes and low standards of living. The Federal Emergency Relief Administration began aiding rural families in 1932. Later, the Farm Security Administration and the Work Projects Administration provided much needed assistance to rural families and farm households.

In the post-World War II era, widespread rural poverty, most notably among farmers, continued to dominate rural policy concerns. The Eisenhower Administration's Undersecretary for Agriculture, True D. Morse, began a Rural Development Program in 1955 to assist low-income farmers. Because agriculture was the major economic activity in many rural areas of the time, a focus on farms and farm households became de facto rural policy. The War on Poverty during the 1960s continued the focus on rural poverty as a central policy issue. With the continued decline in agriculture as rural America's dominant economic activity, policy attention shifted to rural revitalization. The 1980s farm financial crisis and economic dislocation in rural America brought the importance of rural structural change to the forefront of policy concerns. The further decline of farming to less than 8% of rural employment and the loss of many manufacturing jobs during the past decade have highlighted the growing gap between many rural areas and the nation's urban/suburban areas. While no overarching framework guides rural policy at the federal level, adequate housing, employment creation and business retention, human capital concerns, poverty issues, medical care, and infrastructure development remain key foci of federal rural policy.

Today, nearly 90% of total farm household income comes from off-farm sources. Manufacturing now accounts for about 25% of rural private sector earnings and about 12% of all rural jobs. The service sector, as with the U.S. domestic economy as a whole, now dominates rural job opportunities. Farming, and agriculture more generally, however, remain the major legislative focus for much of congressional debate on rural policy. Since 1973, omnibus farm bills have included a rural development title. The most recently passed is Title VI of the Food, Conservation, and Energy Act of 2008 (P.L. 110-246).[1] Agriculture and manufacturing issues are increasingly seen as part of global and regional restructuring issues, which have significant implications for rural areas, especially those areas where these production sectors remain dominant. Positioning rural areas to better

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[1] For details, see CRS Report RL34126, *Rural Development and the 2007 Farm Bill*.

compete in a global environment is one of the key issues framing the debate about the future of rural America.

Omnibus farm bills are the major modern legislative vehicle for addressing many rural development issues.[2] While other legislation has significant implications for rural areas and rural residents (e.g., transportation initiatives, environmental regulation, finance and taxation, Medicare, Social Security), Congress has used periodic farm bills to address emerging rural issues as well as to reauthorize a wide range of rural programs administered by the various USDA rural development mission agencies. As the role of agriculture has continued to decline in many rural economies, however, some rural policy analysts are raising questions about the effectiveness of linking agriculture and rural policy. While the extent of overlap between federal agencies and programs targeting rural areas has been of concern to some rural policy observers, legislation enacted since 1990 reflects an effort to address rural issues more comprehensively.[3]

Major Authorizing Legislation for USDA Rural Development Programs

USDA's rural development mission is to enhance rural communities by targeting financial and technical resources to areas of greatest need. Three agencies, established by the Agricultural Reorganization Act of 1994 (P.L. 103-354), are responsible for the mission area: the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Service (RUS).[4] An Office of Community Development provides further community development support through USDA Rural Development's state offices. The mission area also administers the rural portion of the Empowerment Zones/Enterprise Communities Initiative and the National Rural Development Partnership.

Congress has enacted many public laws bearing on rural policies and rural residents. The Rural Electrification Act of 1936, to cite one significant example, was central to the provision of electrical power and telephone service throughout rural America. In 1966, Congress created the National Commission on Rural Poverty, which published its famous report, *The People Left Behind*, the following year. Various loan and grant programs that target improvements in rural social welfare (e.g., housing) were also authorized and administered by the Farmers Home Administration (FmHA), the agency forerunner of today's USDA Office of Rural Development. Rural policy as an identified congressional concern, however, may be

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[2] By virtue of specific geographic targets, legislation authorizing the Appalachian Regional Commission, the Mississippi Delta Region, the Great Plains Region, and the Tennessee Valley Authority has also had a significant impact on rural development issues in these areas.

[3] The Government Accountability Office identified 88 programs administered by 16 federal agencies that targeted rural development. See *Rural Development: Federal Programs That Focus on Rural America and Its Economic Development*, GAO/RCED-89-56-BR, January 1989.

[4] While the 1994 Act reorganized the administering agencies, the programs themselves predate the reorganization.

dated to the 1972 Rural Development Act, an amendment to the Consolidated Farmers Home Administration Act of 1961.[5]

In addition to periodic omnibus farm bills, new rural development legislation generally amends two major authorizing statutes: (1) the Consolidated Farm and Rural Development Act of 1972 (P.L. 92-419) and (2) the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624). (Title III of the Consolidated Farmers Home Administration Act of 1961 was the original short title of this latter title, but the short title was re-designated the 1972 Act and is classified principally as *Title 7 U.S.C. Chapter 50, 1921 et seq*.[6]). A brief description and overview of key sections of the basic statutory authorities for rural development programs are provided below.

Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.). The act established the Rural Electrification Administration during the Great Depression to create jobs and electrify rural areas by providing subsidized loans and grants to rural electric cooperatives. In 1949, telephone cooperatives also were brought under the program. Cooperatives are a common form of business organization in rural areas, structured essentially as non-taxed entities owned by their users. In the 1930s, only a few farms and rural households had access to electricity; by the mid-1950s, the proportion of rural homes with electricity matched suburban penetration, and by 1975, more than 99% of all farms had electricity. Likewise, by the mid-1970s, telephone penetration in rural areas had topped 90% and it has held steady at roughly 95% of households for the past 20 years.

Consolidated Farm and Rural Development Act of 1972 (Title V, P.L. 92-419) (Title III of the Consolidated Farmers Home Administration Act of 1961 (P.L. 87-128), 7 U.S.C. 1926 et seq.). The legislation was originally enacted as the Consolidated Farmers Home Administration Act of 1961. In 1972, Title V was changed to the Consolidated Farm and Rural Development Act, and is often referred to as the Con Act. The Con Act, as amended, currently serves as the authorizing statute for most USDA rural development lending programs. Title V directed the Secretary of Agriculture to provide leadership within the executive branch and to assume responsibility for coordinating a nationwide rural development program using the services of executive branch departments and agencies, including, but not limited to, the agencies, bureaus, offices, and services of the Department of Agriculture, in coordination with rural development programs of state and local governments. The act also authorized the Community Facility Loan program, the Rural Business and Industry Loan program, and the Rural Business Enterprise Grant program. These programs were consolidated in 1996 under the Rural Community

[5] The Cooperative Marketing Act of 1926, the Agricultural Marketing Act of 1946, and the Agricultural Acts from 1931 to 1970 are also significant for the role of agriculture within rural economies. While these statutes do not address rural development directly, they do provide marketing assistance for farmers and ranchers and thus, have contributed to rural welfare especially in those areas where agricultural production remains a significant economic focus.

[6] See Section 301 of P.L. 87-128 as enacted on August 8, 1961, 75 Stat. 307.

Advancement Program's Community Facilities Account and the Business Program Account (see below).

Rural Development Policy Act of 1980 (P.L. 96-355). This legislation affirmed USDA as the lead agency for rural development. (The 1972 Act named USDA as the lead federal coordinator for rural policy). The act also added responsibilities to the 1972 Rural Development Act. It authorized the Secretary of Agriculture to expand the Department's leadership role through which multi-state, state, sub-state, and local rural development needs, plans, and recommendations can be received and assessed on a continuing basis.

Rural Economic Development Act of 1990 (Title XXIII of the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624)). Part of the omnibus 1990 farm bill. Title XXIII amended the Consolidated Farm and Rural Development Act of 1972 to establish in USDA the Rural Development Administration (RDA). Legislative action saw significant debate between House and Senate Appropriations Committees with the House Agriculture Committee over establishing the RDA. The newly formed RDA absorbed all non-farm FmHA functions. Important provisions include:

- Establishing (1) a Rural Partnerships Investment Board to provide lines of credit for rural economic development revolving funds; (2) (in the Department of the Treasury) the Rural Business Investment Fund; and (3) local revolving funds. Amended the Consolidated Farm and Rural Development Act of 1972 to establish a delivery system for certain rural development programs;

- Providing rural water and waste facilities. Amended the Farm Credit Act of 1971 to authorize lending for water and waste projects and revised water and waste facility financing provisions. Established a rural wastewater treatment circuit rider program. Amended the Consolidated Farm and Rural Development Act to establish emergency community water assistance grants and water and waste facility loans and grants to alleviate health risks.

- Enhancing human resources. Provided for enhanced rural community access to advanced telecommunications. Amended the Consolidated Farm and Rural Development Act to authorize loans for business telecommunications partnerships and establish rural emergency assistance loans;

- Supporting rural business. Amended the Rural Electrification Act of 1936 to establish a technical assistance unit, defer economic development loan payments, and establish the Rural Incubator Fund to promote rural economic development.

The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66). Title VIII established the first rural Empowerment Zones and Enterprise Communities (EZ/ECs). The EZ/EC program is a grant-making initiative whose objective is to revitalize low-income rural communities (and low-income urban areas) in ways that attract private sector investment. USDA administers the rural EZ/EC program and the Department of Housing and Urban Development administers the urban EZ/EC program. In December 1994, three rural Empowerment Zones (EZ) and 30 rural Enterprise Communities (EC) were named. The Taxpayers Relief Act of 1997 added two additional rural EZs and 10 more rural ECs. A third round of competition, authorized by the Consolidated Appropriations Act of 2001, created two additional rural EZs.

Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354). Title II authorized reorganization of the Department of Agriculture. It authorized the Secretary to establish the position of Under Secretary of Agriculture for Rural Economic and Community Development to succeed the Under Secretary of Agriculture for Small Community and Rural Development. The act further organized rural development into the Rural Housing Service (community facilities, technical assistance, and outreach), Rural Business-Cooperative Service (cooperatives, Business and Industry loans), and the Rural Utilities Service (electric, telecommunications, water).[7] The legislation also abolished the Rural Electrification Administration established under the Rural Electrification Act of 1936 establishing the Rural Utilities Service as its successor.

Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127). (The 1996 omnibus farm bill.) Title VII was the Rural Development title. Several major initiatives were established in this legislation including the following:

- Revised the rural distance learning and medical link programs into programs to finance the construction of facilities and systems to provide rural areas with telemedicine and distance learning services.
- Amended the Consolidated Farm and Rural Development Act to increase the grant amounts authorized to be made by the Secretary for water and waste facilities. Revised the definition of "rural" and "rural area," for the purposes of eligibility for grants and loans for such facilities, to limit eligibility to only those cities, towns, or unincorporated areas with populations of no more than 10,000.
- Established mandatory funding for a Fund for Rural America for rural research, economic development, and housing.
- Established the Rural Community Advancement Program (RCAP), a consolidated program of grants, loans, guarantees, and other assistance to local communities and federally recognized Indian tribes.

Farm Security and Rural Investment Act of 2002 (P.L. 107-171). This is the 2002 farm bill, enacted in May 2002. Title VI, in addition to providing funds for various existing rural loan and grant programs, also authorized several new rural

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[7] USDA Rural Development (RUS, RBS, RHS) assumed administration of the former Farmers Home Administration's non-farm functions.

development initiatives. Major new initiatives included provisions funded through direct (mandatory) spending. Historically, mandatory funding for rural development initiatives has been rare. Mandatory programs do not require annual appropriations. Spending for these programs is made available through the Commodity Credit Corporation. For FY2002-FY2007, new mandatory programs included:

- The Rural Strategic Investment Fund establishes a National Board on Rural America that will provide $100 million in planning grants to certified Regional Investment Boards.

- The Rural Business Investment Program provides $100 million in loan guarantees and subsidies to form Rural Business Investment corporations that will make equity investments to small firms. The program will be administered through the Small Business Administration.

- Enhanced Access to Broadband Service to Rural Areas provides $10-$20 million per year, FY2002-FY2007, in grants and loans.

- Rural Local Television Broadcast Signal Loan Guarantees authorizes $80 million under the Launching Our Communities' Access to Local Television Act of 2000.

- Value-added Agricultural Product Market Development Grants provide $40 million per year, FY2002-FY2007, to independent producers and producer-owned enterprises. There is also a 5% set-aside for organic production. $15 million of this funding is earmarked for 10 new Agriculture Innovation Centers for technical assistance to value-added agricultural businesses. The 10 centers were named in FY2003.

- The Rural America Infrastructure Development Account authorizes a one-time funding of pending water and waste water applications at $360 million;

- Rural Firefighters and Emergency Personnel Grant Program provides $10 million per year, FY2003-FY2007 funding to train emergency personnel.

Appropriators consistently blocked the mandatory funding for several of these programs in FY2004-FY2007. Other programs were funded through discretionary appropriations, although not always in the same amounts as authorized. These provisions expired in 2007, although the new farm bill (P.L. 110-246) reauthorizes several of these programs and fund them through annual appropriations rather than mandatory spending.

Food, Conservation, and Energy Act of 2008 (P.L. 110-246). This is the most recent omnibus farm bill, enacted in June 2008. Title VI of the new farm bill expands broadband access in rural areas, creates a new micro-entrepreneurial assistance program and a new rural collaborative investment program, and authorizes three new regional economic development commissions. The bill also authorizes $120 million for a one-time funding of pending water and wastewater infrastructure projects.

Several programs authorized with mandatory spending in the 2002 farm bill are reauthorized with discretionary funding in the new farm bill (Rural Firefighters and Emergency Personnel, Rural Strategic Investment Program, Rural Business Investment Program, and Access to Broadband Services in Rural Areas). The Value-Added Grants Program, similarly authorized in the 2002 farm bill, is also reauthorized by P.L. 110-246 with $15 million of mandatory funding and $40 million of discretionary funding.

The 2008 farm bill also modifies the 2002 definition of "rural" to include "areas rural in character." This modification in the definition of "rural" establishes criteria for defining rural areas contiguous to urban areas. The bill further directs the Secretary of Agriculture to produce a report within two years on the various definitions of "rural" used by USDA in providing assistance.

Other new provisions — yet to be implemented — in the rural development title include the following programs:

- loans and loan guarantees for locally or regionally produced agricultural food products;

- a Rural Microentrepreneur Assistance Program to target economically disadvantaged microentrepreneurs (i.e., those who could compete in the private sector but have been impaired because of lack of credit opportunities and limited equity capital options);

- a Rural Collaborative Business Investment Program to increase the availability of equity capital in rural areas; the provision authorizes Regional Investment Strategy Grants, Rural Innovation Grants, and a Rural Endowment Loan Program; and

- three new regional economic development commissions: (1) Northern Border Regional Commission, (2) Southeast Crescent Regional Commission, and (3) Southwest Border Regional Commission.

In addition to these newly authorized programs, the rural development title also includes other provisions to create or to reauthorize and/or amend a wide variety of loan and grant programs that provide further assistance in four key areas: (1) broadband and telecommunications, (2) rural utilities infrastructure, (3) business and community development, and (4) regional development.[8]

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[8] For more detail on rural development provisions in the new farm bill, see CRS Report RL34126, *Rural Development Provisions of the 2008 Farm Bill* by Tadlock Cowan.

USDA Mission Agencies

The following sections outline the various loan and grant programs administered by the three principal USDA Rural Development mission agencies: Rural Housing Service (RHS), Rural Business-Cooperative Service (RBS), and Rural Utilities Service (RUS). Program objectives, statutory authority, eligibility, and FY2005-FY2008 funding levels are provided. An overview of the program administered by the Office of Community Development is also provided..

USDA Rural Housing Service (RHS)

Rural Housing Issues: Background. Key characteristics of rural housing needs are suggested by the following:

- Rural areas have a disproportionate share of the nation's substandard housing.
- There is a high incidence of poverty in rural America.
- There is an inadequate supply of affordable rural housing to meet demand in many rural areas.
- Mobile homes are increasingly pervasive in many rural areas.
- Homeownership is the principal form of housing in rural America.
- Rural households pay more of their income for housing than their urban counterparts.
- Hundreds of rural communities nationwide do not have access to clean residential drinking water and safe waste disposal systems.
- Development costs in rural areas are often disproportionately higher.
- Rural residents may have more limited access to mortgage credit.
- Rural minorities are less likely to own their homes than rural white households.[9]

Housing Act of 1949 (P.L. 81-171) (42 U.S.C. 1441 et seq). The preamble to this landmark legislation declares that every American deserves a "decent home and a suitable living environment." Housing in the post-World War II era was in short supply and many cities had housing that was in deteriorating condition. The Housing Act for the first time placed the federal government in the role of physically shaping U.S. urban and suburban areas. In doing so, the act influenced state and local polices regarding not only housing, but more broadly, social welfare policy, race relations, and economic development decisions. The act was significant in its creation of a new federal role, but it also was significant in establishing housing as a central policy focus, a focus that is more diminished today.

To meet the goals of more and better housing, Title I of the Housing Act financed slum clearance under urban redevelopment/renewal programs. Title II increased authorization for Federal Housing Administration mortgage insurance. Title III committed the federal government to building 810,000 new public housing

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[9] National Rural Housing Coalition. *Recommendations to the Commission on Affordable and Healthy Facility Needs for Seniors in the 21st Century*, October 2001.

units by 1955.[10] While the provisions of these titles were strongly influenced by cities and their immediately adjacent suburban areas, the Housing Act also recognized the shortages and low-quality housing that characterized much of rural America.

Title V of the act gave authorization to the Farmers Home Administration to grant mortgages for the purchase or repair of rural single-family houses. Title V authorized financial assistance in rural areas to farmers, owners, developers, and elderly persons for the purchase of rural property and construction of adequate facilities, insurance on various loans, and financial assistance for rental housing for farmworkers. Through the Rural Housing Insurance Fund Program account established by the Housing and Urban Development Act of 1965 (P.L. 89-117), the USDA Rural Housing Service today, as with the Farmers Home Administration in the past, insures and guarantees a variety of housing loans for home purchases, repair, and rental housing development.

The Housing and Urban Development Act of 1968 (P.L. 90-448) (42 U.S.C. 1441a) (82 Stat. 476). This legislation reaffirmed the 1949 Housing Act, but also placed greater emphasis on the failures of the 1949 Act to address the problems of housing for low-income families. The 1968 Act authorized the Federal Housing Administration's Section 235 homeownership program with the goal of expanding homeownership, especially among low-income families. The 1968 Act had the goal of creating nearly 26 million new units of housing, 6 million of which were to be reserved for low-income persons. The legislation enacts the New Communities Act of 1968, National Flood Insurance Act of 1968, Urban Property Protection and Reinsurance Act of 1968, and Interstate Land Sales Full Disclosure Act. The 1968 Act also created the Government National Mortgage Association (Ginnie Mae).

Rural Housing Amendments of 1983 (P.L. 98-181) (42 U.S.C. 1490k to 1490o). Titles I through V are also referred to as the Housing and Urban-Rural Recovery Act of 1983. It amends the Housing and Community Development Act of 1974 and the United States Housing Act of 1937. Title V amends the 1949 Housing Act to require that at least 40% of all dwelling units financed by a rural housing loan through the Farmers Home Administration (now Rural Housing Service) and at least 30% of such units in each state be available only for very low-income persons and families. It authorizes loans for manufactured homes and lots meeting specified safety standards and installation, structural, site and energy conserving requirements, whether such homes and lots are real property, personal property, or both.

Rural Housing Service Programs

The following programs are authorized by the Housing Act of 1949 (as amended) and include programs for individual homeownership and rental housing. The programs do not require annual reauthorization or reauthorization in periodic omnibus farm bills. Budget authorization is expressed in terms of loan *subsidies* and loan *authority*. Housing loan subsidies are transfers from the Treasury to lenders

[10] This goal, however, was not achieved until the early 1970s.

who may then provide loans at reduced interest rates to low-income borrowers who otherwise would not be able to obtain credit under a lender's usual criteria. Loan authority refers to the total value of all loans made under a particular program. A subsidy "leverages" a larger loan amount. A small total loan subsidy permits a relatively large amount of principal actually lent to a borrower. Loan authorization refers to the total amount of loan indebtedness that Congress permits a particular program to assume.

Funding for Rural Housing Service homeownership programs is provided by the Rural Housing Insurance Fund through three financing mechanisms: (1) direct loans, (2) guaranteed loans, and (3) grants. Direct loans are loans whose principal is subsidized by the federal government. The principal for a guaranteed loan is provided by a private lender, but the lender is protected by the federal government in the event a borrower defaults. If a guaranteed loan is made at market interest rates and the default rate is zero, then the cost to the federal government for making the guaranteed loan is zero. A grant is a direct outlay to an applicant, often on the basis of a competition for funds. Funding limits for individual grants, loan subsidies, and total levels of loan authorization are stated in annual appropriations legislation authorizing the loans and grants.[11]

Section 502 Single Family Housing Direct Loan Program. This is USDA's main housing loan program and is designed to help low-income individuals purchase houses in rural areas. Funds can also be used to build, repair, or renovate a house, including providing water and sewage facilities. The program provides fixed-interest mortgage financing to low-income families who are unable to obtain credit elsewhere. The program also provides "supervised credit" including pre-loan and post-loan credit counseling to its borrowers to help them maintain their homes during financial crises. While the program benefits rural areas nationwide, the highest benefits (in per capita dollars) are in low-income areas such as the Delta South and rapidly growing areas in the West.

Statutory Authority: Title V, Section 502 of the Housing Act of 1949; 42 U.S.C., Chapter 8A, Subchapter III, 1471, et seq.
Financing: Loans are subsidized at a graduated interest rate from 1% over Treasury's cost of money, depending on family income. Applicants may obtain 100% financing and loans are for up to 33 years (38 years for those with incomes below 60% of the area median household income). Interest rates are determined so that a family pays from 22% to 26% of their income for principal, interest, taxes, and insurance.
Eligibility: Borrowers must be either very-low income (less than 50% of median family income in the rural area where they reside) or low-income (50-80% of median family income). Housing must be modest in size, design, and cost.[12]

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[11] For more detail on rural housing, see CRS Report RL33421*USDA Rural Housing Programs: An Overview,* by Bruce Foote.

[12] Modest housing is generally defined as housing costing less than the HUD Section 203(b)
(continued...)

Funding: Enacted loan authorization in FY2005: $1.14 billion; FY2006: $1.13 billion; FY2007: $1.13 billion; FY2008: $1.12 billion. Loan subsidies (budget authority) FY2005: $132.1 million; FY2006: $128.6 million; FY2007: $113.3 million; FY2008: $105.1 million.

Section 502 Guaranteed Single Family Housing Purchase and Refinance Loans. Provides loan guarantees to private lenders for low and moderate income families to purchase housing. Objective is to provide an incentive to private lenders to offer loans for 30-year mortgages to rural residents who would otherwise be unable to obtain credit.

Statutory Authority: Title V, Section 502 of the Housing Act of 1949; 42 U.S.C., Chapter 8A, Subchapter III, 1471, et seq.
Financing: The government guarantees 90% of loan principal as an encouragement to private lenders to make loans to rural residents whose incomes are between 80% and 115% of the median county income. Loans may be up to 100% of market value or acquisition costs, whichever is less. There is no down payment requirement.
Funding: Enacted loan authorization in FY2005: $3.28 billion; FY2006: $3.64 billion; FY2007: $3.64 billion; FY2008: $4.19 billion. Loan subsidies (budget authority) in FY2005: $33.3 million; FY2006: $40.5 million; FY2007: $42.6 million; FY2008: $50.0 million.

Section 504 Very Low-Income Rural Housing Repair Loan and Grant Program. This program provides loan and grant assistance to very-low and low-income homeowners to make housing repairs that remove various health and safety hazards from their houses or to improve or modernize a home. Grants may be made to cover the costs of such improvements as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, and installation cots in obtaining central water and sewer service.

Statutory Authority: Title V, Section 504 of the Housing Act of 1949; 42 U.S.C., Chapter 8A, Subchapter III, 1471, et seq.
Financing: Loans of up to $20,000 and grants of up to $7,500 are available**.**
Eligibility Criteria: Loans are available to very low-income rural residents who own and occupy a dwelling in need of repair. A homeowner must be unable to obtain affordable credit elsewhere. Grants are limited to elderly home owners (age 62 and older) whose incomes are 50% or less of the median in the rural area where they reside. Grant funds may be used only for removal of a health or safety hazard. Loan and grant assistance cannot exceed $27,000 to an individual.
Funding: Enacted loan authorization in FY2005: $36.7 million (includes emergency supplemental); FY2006: $68.8 million (includes emergency supplemental); FY2007: $34.6 million; FY2008: $34.4 million. Loan subsidies (budget authority) in FY2005: $10.6 million (includes emergency supplemental); FY2006: $20.1 million (includes emergency supplemental);

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[12] (...continued)
loan limits.

FY2007: $10.2 million; FY2008: $9.7 million. Grants in FY2005: 37.4 million (includes emergency supplemental); FY2006: $49.6 million (includes emergency supplemental); FY2007:$29.7 million; FY2008: $38.7 million.

Section 514 and 516 Farm Labor Housing Program Loan and Grant Program. This is the only nationwide program to provide housing for farm laborers.[13] Loans and grants are provided to buy, build, improve, or repair housing for farm labor, including persons whose income is earned in aquaculture and on-farm processing. Section 516 grants are used in conjunction with the loans to finance affordable, off-farm rental housing to low-wage farm workers

Statutory Authority: Title V, Section 514 and 516 of the Housing Act of 1949; 42 U.S.C., Chapter 8A, Subchapter III, 1484 and 1486.
Financing: This program provides direct loans to farm owners, Indian tribes, farmer associations, public bodies, and nonprofit organizations to provide living quarters, furnishings, and related facilities for domestic farm workers. Section 514 loans have a 1% interest rate and a maximum repayment term of 33 years. Grants may cover up to 90% of development costs.
Eligibility Criteria: Farmworkers who lease Section 514/516 units must be either U.S. citizens or permanent residents and the majority of their income must come from farm work. Grants are available only to governments or nonprofit organizations.
Funding: Loan authorization in FY2005: $32.9 million ($15.5 million in subsidies) and $30.3 million in grants; FY2006: $38.1 million ($17.0 million in loan subsidies) and $13.9 million in grants; FY2007: $38.1 million ($18.3 million in loan subsidies) and $13.9 million in grants; FY2008: $27.5 million ($11.9 million in loan subsidies) and $9.9 million in grants.

Section 523 Mutual and Self-Help Grant Program. This program allows very-low and low income rural Americans to use "sweat equity" to reduce the costs of home ownership. Nonprofit organizations and local governments may obtain grant funds to enable them to provide technical assistance to groups of families that work cooperatively to build their houses. Typically, future homeowners use Section 502 direct loans to finance their mortgages and, through their own labor on constructing the house, are able to reduce costs by 10%-15% while learning construction skills.

Statutory Authority: Title V, Section 523 (b)(1)(A) of the Housing Act of 1949; 42 U.S.C. 1490(c)(B).
Financing: Grants. Grantees typically also use Section 502 loans, although other mortgage tools are also used. Funds may be used to pay salaries, rent, and office expenses of the participating nonprofit organizations. Pre-development grants up to $10,000 are available to qualified organizations.
Eligibility Criteria: Low income (50%-80% of area median family income)
Funding: Grants for FY2005: $34.0 million; FY2006: $ 32.3 million; FY2007: $33.9 million; FY2008: $38.7 million.

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[13] Unlike other RHS programs, the funding for Farm Labor Housing Program may be used in urban areas to house nearby farm labor.

Section 523 Rural Housing Site Loan Program. This program provides funds to nonprofit organizations to develop building sites for low and moderate-income participants in the Self-Help Housing Program. The nonprofit organizations resell these improved sites to program participants at cost. The interest rate on the loans is 3% and the nonprofit organizations repay the loans when they sell these properties.

Statutory Authority: Title V, Section 523 (b)(1)(A) of the Housing Act of 1949; 42 U.S.C. 1490(c)(B).
Financing: Loans are for two years. Section 523 loans bear 3% interest rates**.**
Eligibility Criteria: Section 523 loans are made to acquire and develop sites only for housing constructed by the self-help method**.**
Funding: Loan authorization FY2005: $2.3 million; FY2006: $5.0 million; FY2007: $5.0 million; FY2008: $5.0 million. Subsidy levels (budget authority) FY2005: $0; FY2006: $51,000; FY2007: $123,000; FY2008: $141,000.

Section 524 Rural Housing Site Loan Program. This program is very similar to the Section 523 program above except that once the sites are developed, they may be provided to any low- or moderate-income person, not just to the self-help participant.

Statutory Authority: Title V, Section 524 (b)(1)(A) of the Housing Act of 1949; 42 U.S.C. 1480(d).
Financing: Loans are for two years. Section 524 loans bear the market rate of interest.
Eligibility Criteria: Section 524 loans are made to acquire and develop sites for any low-or moderate-income family.
Funding: Loan authorization in FY2005: $450,000; FY2006: $5.0 million; FY2007: $5.0 million; FY2008: $5.0 million. Loan subsidies (budget authority) in FY2005: $0; FY2006: $0; FY2007: $0; FY2008: $0.

Section 533 Housing Preservation Grant Program. This program provides funding through nonprofit groups, Indian tribes, and government agencies to very-low and low-income home owners to repair their houses, and to rental property owners for the rehabilitation of rental and cooperative housing to be rented to very-low and low-income families.

Statutory Authority: Title V, Section 533 of the Housing Act of 1949 (amended by Section 522 of the Housing and Urban-Rural Recovery Act of 1983); 42 U.S.C., Chapter 8A, Subchapter III, 1490m.
Financing: Grants**.**
Eligibility Criteria: Low and very-low income rural residents. Grants may also be made to rental property owners if they agree to make such units available to low and very-low income occupants. Assistance is limited to $15,000 per unit.
Funding: FY2005: $8.8 million; FY2006: $9.9 million; FY2007: $9.9 million; FY2008: $10.0 million (est.)

Section 515 Rural Rental Housing Direct Loans. The Section 515 rental housing program houses the poor through 50-year, 1% loans and rental assistance.

The program is typically used in conjunction with the Section 521 Rental Assistance Program (see below). With assistance, tenants pay a maximum of 30% of their income toward rent and utilities. Some 515 projects also use Housing and Urban Development Section 8 project-based assistance which enables additional very-low income families to be helped. There are four variations of the Section 515 loan program: (1) Cooperative Housing, (2) Downtown Renewal Areas, (3) Congregate Housing or Group Homes for Persons with Disabilities, and (4) the Rural Housing Demonstration Program.

Statutory Authority: Title V, Section 515 of the Housing Act of 1949; 42 U.S.C. 1490(c).
Financing: This program uses a public-private partnership to provide direct subsidized interest loans at 1% interest rate to limited-profit and nonprofit developers to construct or to renovate affordable rental complexes in rural areas.
Eligibility Criteria: For very-low, low-, and moderate-income families. In new Section 515 projects, 95% of tenants must have very-low incomes. In existing projects 75% of new tenants must have very low incomes.
Funding: Loan authorization for FY2005: $99.2 million; FY2006: $99.0 million; FY2007: $99.9 million; FY2008: $69.5 million. Loan subsidies (budget authority) for FY2005: $46.7 million; FY2006: $45.4 million; FY2007: $45.2 million; FY2008: $29.6 million.

Section 538 Multi-Family Housing Guaranteed Loan Program. The program funds construction, acquisition, and rehabilitation of multifamily housing for low to moderate-income residents. It provides 90% loan guarantees to certified lenders to make rental housing affordable to low and moderate-income residents. For the nonprofit sector, the program covers 97% loan-to-value ratios.

Statutory Authority: Title V, Section 538 of the Housing Act of 1949; 42 U.S.C. 1485.
Financing: Guarantees market-rate loans made by private lenders.
Eligibility Criteria: Residents of the completed housing facility must be very low- to moderate-income households; or elderly, or disabled persons with income not in excess of 115% of the median income of the surrounding area.
Funding: Loan authorization in FY2005: $97.2 million; FY2006: $99.0 million; FY2007: $99.0 million; FY2008: $129.1 million. Loan subsides (budget authority) for FY2005: $3.4 million; FY2006: $5.4 million; FY2007: $7.6 million; FY2008: $12.1 million.

Section 521 Rental Assistance Program. The objective of this program is to help mitigate the burden on the nearly 25% of rural households who pay more than 30% of their income on housing costs.

Statutory Authority: Title V, Section 521(a)(2) of the Housing Act of 1949; 42 U.S.C. 1490.
Financing: Rental Assistance is project-based assistance used in conjunction with Section 515 and Section 514/516 loan/grant programs. The program provides rental assistance directly to the owners of some RHS-financed projects under contracts specifying that beneficiaries will pay no more than 30% of their

income for rent. The program makes up the difference between the tenant's contribution and the rental charge.

Eligibility Criteria: The subsidy goes to the housing unit, not an individual tenant. In effect, the subsidy indirectly goes to the tenant through lower rent payments**.**

Funding: FY2005: $592.9 million; FY2006: $638.6 million; FY2007: $615.0 million; FY2008: $478.7 million. (Rental assistance funding includes rental assistance under the Section 502 (c)(5)(D) program).

Housing Demonstration Program. Under this program, RHS may provide loans to low income borrowers to purchase innovative housing units and systems that do not meet existing published standards, rules, regulations, or policies. The objective of the demonstration programs is to test new approaches to constructing housing under the statutory authority granted to the Secretary of Agriculture. The intended effect is to increase the availability of affordable rural housing for low-income families through innovative designs and systems.

Statutory Authority: Title V, Section 506(b), Housing Act of 1949; 42 U.S.C. 1476.

Financing: Loans and grants. Aggregate expenditures for the demonstration may not exceed $10 million in any fiscal year.

Eligibility Criteria: Section 506 (b) requires that the health and safety of the population of the areas in which the demonstrations are carried out will not be adversely affected.

Funding: Program funding is reserved through other RHS programs listed above.

Rural Community Facilities Program Account

The Community Facilities Program Account is one of three funding streams of the Rural Community Advancement Program (RCAP) authorized by the 1996 farm bill (P.L. 104-127). The Community Facilities loan and grant program, administered by RHS, supports essential community facilities such as fire stations, community centers, and medical clinics. Funding is allocated to state rural development offices by formula where state directors set priorities particular to their state's rural needs. State directors are authorized to transfer up to 25% of the amount in each RCAP account allocated for the state to any of the other accounts.

Community Facility Direct and Guaranteed Loans. Loans are made for constructing, enlarging, or improving essential community facilities in rural areas and towns of not more than 20,000 population. Eligible applicants must demonstrate that they cannot obtain funding in the commercial market at reasonable rates. Applications for health and public safety projects receive the highest priority. Interest rates are determined by the median family income of the area and range from 4.5% to 5.375%. In the case of guaranteed loans, the loans are made by a private lender and the interest rate is negotiated between lender and borrower.

Statutory Authority: Section 306(a)(1) of the Consolidated Agriculture and Rural Development Act of 1972.

Financing: Direct loan subsidies and guaranteed loans.
Eligibility Criteria: Priority is for loans to build essential community facilities that support public health and safety. The highest priority goes to projects located in a community with a population of 5,000 or less and to projects serving communities with median household incomes below the higher of the poverty line or 60% of the state non-metropolitan median household income. Healthcare, public safety, or public and community services are priority areas.
Funding: Loan authorization levels for *direct* loans in FY2005: $729.3 million (includes hurricane emergency supplemental funding); FY2006: $297.0 million; FY2007: $297.0 million; FY2008: $294.9 million. Subsidy levels for *direct* loans in FY2005: $29.5 million; FY2006: $9.9 million; FY2007: $19.0 million; FY2008: $16.4 million. Loan authorization levels for *guaranteed* loans in FY2005: $194.9 million; FY2006: $207.9 million; FY2007: $207.9 million; FY2008: $206.4 million. Subsidy levels for *guaranteed* loans in FY2005: $6.8 million; FY2006: $7.6 million; FY2007: $7.6 million; FY2008: $7.6 million.

Community Facility Grants. In most cases, these grants are used in conjunction with the direct loan program to make community facilities (e.g., fire stations, community centers) available to the neediest communities, which often cannot afford even direct loans without additional subsidies. These grants were authorized under the 1996 farm bill (P.L.104-127).

Statutory Authority: Section 306(a)(1) of the Consolidated Agriculture and Rural Development Act of 1972.
Financing: Grants.
Eligibility Criteria: Low-income communities unable to secure funding on a loan basis. Public bodies, nonprofit organizations, special purpose districts, e.g., nursing homes, are eligible applicants. Funding is for communities of 20,000 or less. Priority is given to communities of 5,000 or less. Facility must serve areas where median household income is below the poverty line or 90%of the state non-metropolitan median household income. The Community Facilities Grant Program is typically used to fund projects under special initiatives, such as Native American community development efforts; child care centers linked with the federal government's Welfare-to-Work initiative; Economic Impact Initiative Grants, federally designated Enterprise and Champion Communities, and the Northwest Economic Adjustment Initiative.
Funding: FY2005: $24.5 million (includes hurricane emergency supplemental funding); FY2006: $16.8 million; FY2007: $16.8 million (est); FY2008: $20.4 million. Additional grant funds are earmarked in the Community Facilities Account for Economic Impact Initiative Grants targeted to communities suffering economic hardship and population out-migration: FY2005: $19.7 million; FY2006: $17.8 million; FY2007: $17.8 million; FY2008: $20.4 million.

Rural Community Development Initiative Grants. A program authorized in FY2002. The program provides grants from RCAP accounts for capacity-building among private, nonprofit community development organizations and low-income rural communities in the areas of housing, community facilities, and community and economic development. Funds are available to qualified intermediaries that can be public or private organizations (including tribal organizations) that have been legally organized for at least three years and have experience working with eligible recipients

Statutory Authority: Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001(P.L.106-387; 7 U.S.C. 1932).
Financing: Competitive grants**.** Requires dollar for dollar matching funds.
Eligibility Criteria: Only qualified intermediary organizations are eligible for the technical assistance grants. Such organizations must supply matching funds from non-Federal sources to receive the grants.
Funding: FY2005: $3.9 million; FY2006: $6.3 million; FY2007: $6.3 million: FY2008: $6.3 million.

USDA Rural Business-Cooperative Service (RBS)

Creating and retaining employment in rural areas has been a central focus of rural development policies for nearly 75 years. Originally, agriculture, mining, fishing, and timbering related jobs were major targets of public funding. Since the mid-1950s, manufacturing was regarded as the most promising source of rural employment as jobs in the primary sector declined. Abundant and largely non-unionized labor, inexpensive land, and minimal environmental regulation were rural America's competitive advantage as many manufacturing facilities sought branch production facilities. While manufacturing has provided relatively high-paying and stable employment for many rural residents, the U.S. rural manufacturing sector finds itself today competing with developing countries and with Eastern Europe. Low-skilled, peripheral manufacturing facilities are leaving U.S. rural areas. Today, rural areas are trying to create new sources of competitive advantage in more technologically sophisticated production with higher-skill labor. With lack of capital a significant factor in many rural areas, the RBS provides loans and grants to help local entrepreneurs in starting up businesses and in expanding existing businesses.[14] Other RBS programs provide specialized technical and marketing assistance. Several programs authorized in the 2002 farm bill (P.L.107-171) and in the House- and Senate-passed 2007 farm bills address the new needs of rural businesses, especially in capital formation.

Rural Intermediary Relending Program. These direct loans are made to private nonprofit corporations, state or local government agencies, Indian tribes, and cooperatives who, in turn, lend the funds to rural businesses, private nonprofit organizations, and others. Assistance from the intermediary to the ultimate recipient must be for economic development projects, establishment of new businesses, and/or expansion of existing businesses, creation of new employment opportunities and/or saving existing rural jobs.

Statutory Authority: Health and Human Services Act of 1986, Section 407, P.L. 99-425, 7 U.S.C. 1932 note; Food Security Act of 1985, Section 1323, as

[14] Other RBS-administered programs within the Rural Community Advancement Program are discussed in a later section.

amended, P.L.99-198, 7 U.S.C. 1631; Community Economic Development Act of 1981, Section 623, as amended, P.L.97-35, 42 U.S.C. 9812. ;7 U.S.C. 1932; 42 U.S.C. 9812.
Financing: Loans are made by RBS to intermediaries that provide loans to ultimate recipients for business facilities and community development projects.
Eligibility Criteria: Financing is limited to community development projects not within the outer boundary of any city having a population of 25,000 or more.
Funding: Loan authorization for FY2005: $33.9 million; FY2006: $33.9 million; FY2007: $33.9 million; FY2008: $33.0 million. Loan subsidies (budget authority) for FY2005: $15.7 million; FY2006: $14.5 million; FY2007: $14.9 million; FY2008: $14.5 million.

Rural Economic Development Loans. This program provides zero-interest loans for RUS borrowers who then re-lend the funds at zero interest to rural businesses.

Statutory Authority: Rural Electrification Act of 1936, as amended, Title III, 7 U.S.C. 930-940c; 7 U.S.C. 1932(a).
Financing: Direct loans.
Eligibility Criteria: Loans are made to electric and telephone utilities that have current loans with the Rural Utilities Service (RUS) or Rural Telephone Bank loans or guarantees outstanding and are not delinquent on any federal debt or in bankruptcy proceedings.
Funding: Loan authorization for FY2005: $24.3 million; FY2006: $24.7 million; FY2007: $24.7 million; FY2008: $33.1 million. Loan subsidies (budget authority) for FY2005: $4.6 million; FY2006: $4.9million; FY2007: $5.4 million; FY2008: $0.

Rural Economic Development Grants. Grants are used to establish a revolving loan fund program to promote economic development in rural areas. The revolving loan fund provides capital to nonprofit organizations and municipal organizations to finance community facilities in rural areas that promote job creation and education and training to enhance marketable skills, or improve medical care.

Statutory Authority: Section 313 of the Rural Electrification Act of 1936; 7 U.S.C. 930-940(c); 7 U.S.C. 1932.
Financing: Grants. Funds are provided from the interest differential on Rural Utilities Service borrowers' cushion of credit accounts. The cushion of credit account was established under Section 313 of the Rural Electrification Act (REA). Under this program, RUS borrowers may make voluntary deposits into a special cushion of credit account. A borrower's cushion of credit account balance accrues interest to the borrower at an annual rate of 5%. The amounts in the cushion of credit account (deposits and earned interest) can only be used to make scheduled payments on loans made or guaranteed under REA.
Eligibility Criteria: Economic development projects benefitting rural areas. Funding may be used for feasibility studies, start-up costs, and incubator projects.
Funding: FY2005: $8.1 million; FY2006: $10.0 million; FY2007: $0; FY2008: $10.0 million.

Rural Cooperative Development Grants. The grants were established under the 1996 farm bill (P.L. 104-127) which eliminated the term “technology “ from the previously authorized Rural Technology and Cooperative Development Grant Program. Grants are made to fund the establishment and operation of centers for rural cooperative development with their primary purpose being the improvement of economic conditions in rural areas through the creation of new or improvement of cooperatives. Grants may be made to nonprofit institutions or higher education institutions. Grants may be used to pay up to 75% of the cost of the project and associated administrative costs. The applicant must contribute 25% from non-federal sources. Grants under this program are competitive and awarded on specific selection criteria.

Grants are also made to assist small minority producers. The 2008 farm bill (Section 6013) reserves 20% of the appropriated funding (if the total appropriation exceeds $7.5 million) for cooperative development centers, individual cooperatives, or groups of cooperatives that serve socially disadvantaged groups.

Statutory Authority: Section 310 B(e) of the Consolidated Farm and Rural Development Act of 1972; 7 U.S.C. 1932(e); 42 U.S.C. 9817. The program was amended in the 2008 farm bill (Section 6013 of P.L. 110-246).
Financing: Grants.
Eligibility Criteria: Grants to nonprofit corporations and institutions of higher education. For this program, rural is defined as all territories of a state not within the outer boundary of any city having a population of 50,000 or more based on the latest decennial census of the United States.
Funding: FY2005: $7.0 million; FY2006: $4.4 million; FY2007: $3.7 million; FY2008: $4.4 million.

Appropriate Technology Transfer for Rural Areas (ATTRA) Program. A cooperative agreement established by the 1985 farm bill, the program was transferred to the Department of Interior’s Fish and Wildlife Service in 1990. The 1996 farm bill transferred the program back to USDA’s Rural Business Service. The program is an account of the Rural Cooperative Grants program. It provides information to farmers and other rural users on a variety of sustainable agricultural practices that include both cropping and livestock operations. The ATTRA program is located on the University of Arkansas campus at Fayetteville, Arkansas, and functions as an information and technical assistance center staffed with sustainable agriculture specialists.

Statutory Authority: Section 1323 of the Food Security Act of 1985; 7 U.S.C. 1932.
Financing: The program is funded through a cooperative agreement between the not-for-profit National Center for Appropriate Technology and the Rural Business-Cooperative Service.
Eligibility Criteria: Open.
Funding: For FY2005: $2.5 million; FY2006: $2.5 million; FY2007: $936,000; FY2008: $2.6 million.

Value-Added Agricultural Production Grants. The program provides grants to assist farmers and ranchers in creating greater value for agricultural commodities. The 2002 farm bill makes mandatory funding for this program through FY2007. A portion of the funds was reserved for the establishment of Agricultural Demonstration Centers which will provide training and technical assistance to new or expanding value-added agricultural enterprises. Ten centers were established in FY2003 and funded at $1 million each. The program was reauthorized through 2012 in the 2008 farm bill (P.L. 110-246).

Statutory Authority: Agricultural Risk Protection Act of 2000 (P.L.106-224); Section 6401 of the Farm Security and Rural Investment Act of 2002 (P.L.107-171).
Financing: Competitive grants.
Eligibility Criteria: Profit and nonprofit organizations, cooperatives.
Funding: FY2005: $15.5 million; FY2006: $20.5 million; FY2007: $20.3 million; FY2008: $18.9 million [15]

Rural Business Investment Program. This program was established by the 2002 farm bill and creates limited liability companies (Rural Business Investment Companies) to make equity capital investments in rural businesses. These companies will be financed with both private funds and debt instruments guaranteed by the federal government. The program began initial implementation and will operate under a Memorandum of Agreement with the U.S. Department of Commerce's Small Business Administration. The 2008 farm bill (P.L. 110-246) reauthorizes the program through 2012 with certain modifications.

Statutory Authority: Section 6029, Farm Security and Rural Investment Act of 2002 (P.L. 107-171)**.**
Financing: Direct loans, guaranteed debentures, and grants.
Eligibility Criteria: Designation by the Secretary as a Rural Business Company.
Funding: "Such sums as necessary" are authorized to cover the costs of guaranteeing a total of $280 million of debentures. In addition, $44 million in mandatory funding is authorized for grants and $56 million for direct loan subsidies. A portion of the mandatory funding for the program was blocked by appropriators in FY2003 and FY2004 while providing some initial funding to begin the program. For FY2006: $11 million.

Renewable Energy Loan and Grant Program. This program provides funding to eligible farmers, ranchers, and small businesses in purchasing renewable energy systems and making existing energy systems more efficient.

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[15] FY2001 funds were provided in the *Agricultural Risk Protection Act of 2000* and the *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002 (P.L.106-387).* Subsequent funding (FY2002-FY2007) was provided by the 2002 farm bill. In FY2004-FY2006, appropriators blocked the mandatory funding and provided discretionary funds, but in amounts less than the authorized mandatory level.

Statutory Authority: Section 9006, Farm Security and Rural Investment Act of 2002 (P.L. 107-171). Reauthorized as Section 9007 in the 2008 farm bill (P.L. 110-246).
Financing: Loans and grants.
Eligibility Criteria:
Funding: The program was authorized for $23.0 million in mandatory funds per fiscal year, FY2003-FY2007. Appropriators prohibited the expenditure of any of the mandatory funds to carry out the program in FY2005-FY2006, but did provide $23.0 million in discretionary funding in each year. The Administration requested cancelling the mandatory funding for FY2007 and providing $10.2 million in discretionary funding. For FY2007, $22.8 million was provided. For FY2008, $35.7 million is appropriated for loan subsides and grants. For FY2009-FY2012, $255 million in mandatory spending is authorized. In addition, $35 million annually in discretionary funding is also provided.

Rural Business Program Account

The Rural Business Program Account is one of three funding streams of the Rural Community Advancement Program (RCAP) authorized by the 1996 farm bill (P.L. 104-127). This program was formerly listed as a separate budget line under the Rural Community Advancement Program (RCAP). Beginning with the FY2008 Consolidated Appropriations Act (P.L. 110-161), the three RCAP accounts are subsumed under their respective administering agencies, RHS, RBS, and RUS.

The Rural Business Program, administered by RBS, supports business development, training, and retention. Funding for the loan program is allocated to state rural development offices by formula where state directors set priorities particular to their state's rural needs. State directors are authorized to transfer up to 25% of the amount in each RCAP account allocated for the state to any of the other accounts.

Business and Industry (B&I) Direct and Guaranteed Loans. This program finances business and industry acquisition, construction, conversion, expansion, and repair in rural areas. Loan funds can be used to finance the purchase and development of land, supplies and materials, and pay start-up costs of rural businesses. Eligible applicants include individuals as well as public, private, and cooperative organizations. Although the RBS did make direct loans to groups in FY2001 and in previous years, with the FY2002 budget forward, there have been no appropriations for the direct loan program due to a high rate of default.[16]

Statutory Authority: Section 310B(a)(1) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1932.
Financing: Subsidized interest loans and guarantees for loans provided by lenders. Interest rates for guaranteed loans are negotiated between a lender and a borrower. A maximum guaranteed loan is $25 million. For loans of $5 million or less, maximum percentage of a guarantee is 80%. For loans between

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[16] For RBS loan performance data, see *Rural Development: Rural Business-Cooperative Service Business Loan Losses.* GAO/RCED, August, 1999.

$5 and $10 million, maximum percentage of guarantee is 70%. For loans between $10 and $25 million, maximum percentage of guarantee is 60%.
Eligibility Criteria: Borrowers must be unable to obtain credit from other lenders at reasonable rates and terms. Criteria for projects are (1) those that save existing jobs, (2) those that improve existing businesses or industry, and (3) those that create the greatest number of permanent jobs. Golf courses, race tracks, and gambling operations are ineligible.
Funding: No funding for the direct loan program was provided in FY2005 and FY2006 nor requested for FY2007. Loan authorization levels for *guaranteed* loans (including North American Development Bank loan guarantees) in FY2005: $678.1 million loan authorization with a loan subsidy of $34.2 million; FY2006: $1.0 billion loan authorization with a subsidy of $48.4 million; FY2007: $914 million with a loan subsidy of $39.8 million; FY2008: $993 million with a loan subsidy of $43 million.

Rural Business Opportunity Grants. Grants are made to public bodies, nonprofit organizations, Indian tribes, and cooperatives for training and technical assistance to rural businesses, economic planning for rural communities, or training for rural entrepreneurs or economic development officials.

Statutory Authority: Section 741, Federal Agriculture Improvement and Reform Act of 1996; Section 306(a)(11)(A) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1932. Reauthorized in the 2008 farm bill (P.L. 110-246).
Financing: Competitive grants.
Eligibility Criteria: Grants are made to public bodies, nonprofit corporations, Federally recognized tribal groups, and cooperatives with members that are primarily rural residents.
Funding: FY2005: $3.1 million; FY2006: $3.0 million; FY2007: $3 million; FY2008: $2.5 million.

Rural Business Enterprise Grants. These are grants to encourage the development of small and emerging business enterprises and the creation and expansion of rural distance learning networks, and to provide educational instruction or job training related to potential employment for adult students. Grants are also available to qualified nonprofit organizations for provision of technical assistance and training to rural communities for improving passenger transportation services or facilities.

Statutory Authority: Section 310N(c) and 310B(f) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1932(c).
Financing: Competitive grants.
Eligibility Criteria: Priority for the grants is given to rural areas having a population of 25,000 or less. Other priorities include projects located in communities with large proportion of low-income residents and/or high unemployment.
Funding: FY2005: $41.3 million; FY2006: $39.6 million; FY2007: $39.6 million; FY2008: $38.7 million.

Delta Regional Authority. The Delta Regional Authority (DRA) is a state-federal development authority providing economic assistance to 252 economically distressed counties and parishes in eight southern states — Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee . The DRA makes loans and grants for a variety of community projects supporting housing, business development, community facilities, and employment training.

Statutory Authority: Subtitle F, Consolidated Appropriations Act of 2001 (P.L. 108-447; 7 U.S.C. 1921, et seq.).
Financing: Competitive grants.
Eligibility Criteria: At least 75% of DRA funds must be invested in economically distressed counties and parishes. Approximately half of the funds are earmarked for transportation and basic infrastructure improvement
Funding: FY2005: $1 million; FY2006: $2 million: FY2007: $2 million; FY2008: $3 million. This appropriation does not include funding for the Delta Region Transportation Development program authorized by P.L.109-59.

USDA Rural Utilities Service (RUS)

Arguably, the earliest rural development policy consisted of providing infrastructure to get rural products to markets or to transportation nodes. Building railroads, roads, and telegraph lines represent early examples. Later electricity and telephones constituted essential rural infrastructure. Because of great geographical distances and low population densities, rural areas would unlikely have had such services without federal support. The 1936 Rural Electrification Act discussed above was central to the provision of rural utilities in an urbanizing society. Today, rural electrification, telecommunications, and water infrastructure are the core programs administered by the Rural Utilities Service.[17] New infrastructure includes facilities for health service delivery (e.g., telemedicine) and new broadband telecommunication resources. As was the case in the early years of the nation, great distances and sparse populations have also led Congress to provide funding for these new rural utilities as well as continuing support for telephones and electrical generation and transmission.

Electrification Loan Program. Loans are made to expand, upgrade, maintain, and replace rural electric infrastructure. Interest rates are tied to the economic conditions of the areas served and the costs of providing services to the area. Most RUS-financed systems have their loan rates capped at 7% although there are three interest rate levels: (1) direct loans for distressed areas, (2) Treasury rate loans, and (3) municipal rate loans. Borrowers must generally obtain approximately half their capital needs from the private sector. RUS also makes guaranteed loans through the Federal Financing Bank, National Bank for Cooperatives, and National Rural Utilities Cooperative Finance Cooperation. The interest rate on loans by the Federal Financing Bank is based on the Treasury rate plus 1/8%. Because of a very

[17] Water and waste water programs are administered under the Rural Community Advancement Program and are discussed in the following section.

low default rate, the FFB loan guarantee program has a zero subsidy cost. Most loans are made for 35 years and are secured by the borrower's electric system assets.

Statutory Authority: Section 305, Rural Electrification Act of 1936; 7 U.S.C. 904, 935.
Financing: Three loan levels: Hardship loans are made to applicants whose consumers fall below average per capita and household income thresholds. Municipal rate loans are based on interest rates available in the municipal bond market. Borrowers are required to seek supplemental financing for 30% of their capital requirements. Treasury rate loans are based on rates established daily by the U.S. Treasury.
Eligibility Criteria: Electricity producers and transmitters serving rural populations.
Funding: Enacted loan authorization levels for FY2005: $4.32 billion; FY2006: $5.39 billion; FY2007: $5.39 billion; FY2008: $7.1 billion. Subsidies (budget authority) for FY2005: $5.0 million; FY2006: $6.1 million; FY2007: $3.6 million; FY2008: $119,000.[18]

Telecommunications Loans. This program makes loans for infrastructure improvement and expansion to furnish and improve telephone service, including a variety of related telecommunications purposes such as broadband service in rural areas. RUS lends directly to rural telecommunication systems and guarantees loans made by other lenders.

Statutory Authority: Rural Electrification Act of 1936; 7 U.S.C. 922.
Financing: Direct loans for construction, expansion, and operation of telecommunication lines and facilities or systems.
Eligibility Criteria: Three loan levels: Hardship loans are made to applicants whose consumers fall below average per capita and household income thresholds. Municipal rate loans are based on interest rates available in the municipal bond market. Treasury rate loans are based on rates established daily by the U.S. Treasury. Guaranteed loans are made through the Federal Financing Bank.
Funding: Enacted loan authorization levels for FY2005: $518.0 million; FY2006: $689.8 million; FY2007: $689.8 million; FY2008: $685.2 million. Loan subsidies (budget authority) for FY2005: $99,000; FY2006: $210,000; FY2007: $663,000; FY2008: $3.6 million.

Distance Learning and Telemedicine Loans and Grants. This program provides financial assistance to rural community facilities, e.g., schools, libraries, hospitals, and medical centers. The Telecommunications Act of 1996 targeted rural areas because of the difficulties they have in providing high quality education and medical services. This program helps rural schools and hospitals obtain and use advanced telecommunications for health and educational services.

Statutory Authority: Food, Agriculture, Conservation, and Trade Act of 1990; 7 U.S.C. 950 aaa-2 et seq.

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[18] Includes loan authorization for guaranteed loans.

Financing: Interest rates depend on the financial condition of the borrower system and the costs of providing service to rural subscribers. Cost of money loans are supplemented by loans from the Rural Telephone Bank. Most rural systems are eligible for loans at a hardship rate of 4%. The program also makes guaranteed loans.
Eligibility Criteria: Loans are made to utilities serving rural communities.
Funding: Grants and combination loan/grants ($10 in loans to $1 in grants). Loan authorization in FY2005: $50.0 million; FY2006: $24.7 million; FY2007: $495 million; FY2008: $297.9 million. Loan subsidies (budget authority) for FY2005: $704,000; FY2006: $371,000; FY2007: $0 (est.). Grant funding for FY2005: $34.7 million; FY2006: $29.7 million; FY2007: $29.7 million; FY2008: $34.7 million.

Rural Telephone Bank. The Rural Telephone Bank (RTB) was designed to ensure rural telephone systems' access to private sources of capital by establishing a supplemental credit mechanism to which borrower systems may turn for all or part of their future capital requirements. The capital structure of the Telephone Bank consists of three classes of stock: Class A, Class B, and Class C. Class A stock was issued to the Telephone Bank in exchange for appropriated $600 million of capital provided by the taxpayers. This provided the Telephone Bank with its initial "seed" money to begin its lending operations. Through sales of Class A stock, the RTB is now privatized.

Statutory Authority: Rural Electrification Act of 1936; 7 U.S.C. 941, et seq.
Financing: Interest rates depend on the financial condition of the borrower system and the costs of providing service to rural subscribers. Most rural systems are eligible for loans at a hardship rate of 5%.
Eligibility Criteria: Utilities serving rural communities.
Funding: Loan authorization level FY2005: $175.0 million; FY2006: $0; FY2007 (est.): $0. Loan subsidies (budget authority) for FY2005: $0 million; FY2006: $0; FY2007: $0; FY2008: $0.

Broadband Loans and Grants. New telecommunication technologies will increasingly rely on infrastructure that can carry signals more complex than simple voice and at significantly faster speeds. Rural areas are currently at a disadvantage in gaining access to these newer technologies, in part, because the costs per user are higher than in more urbanized areas. RUS provides loans and grants to support acquisition./construction of broadband facilities in under-served rural areas.

Statutory Authority: Rural Electrification Act of 1936; 7 U.S.C. 922.
Financing: Interest rates on loans depend on the financial condition of the borrower system and the costs of providing service to rural subscribers. There are three interest rate levels: Three interest rate levels: hardship, Treasury, and municipal. Treasury loans may be supplemented by loans from the Rural Telephone Bank. Most rural systems are eligible for loans at a hardship rate of 4%.
Eligibility Criteria: The "community-oriented connectivity" approach will target rural, economically-challenged communities and offer a means for the deployment of broadband transmission services to rural schools, libraries, education centers, health care providers, law enforcement agencies, public

safety organizations as well as residents and businesses. Community eligibility requirements for funding through the Community Connect Broadband Grant Program include areas with (1) 20,000 or fewer residents, (2) no prior access to a broadband transmission service; and (3) a minimum matching contribution equal to 15% of the grant amount awarded.
Funding: Loan authorization levels for FY2005: $331.1 million; FY2006: $495 million; FY2007: $495 million; FY2008: $297 million. Loan subsidies (budget authority) for FY2005: $9.9 million; FY2006: $10.6 million; FY2007: $10.6 million. Broadband telecommunication grants for FY2005: $32.8 million; FY2006: $8.9 million; FY2007: $8.9 million; FY2008: $13.4 million.

Enhancement of Access to Broadband Service in Rural Areas. This program provides loans, grants, and loan guarantees to construct, improve, and acquire facilities and equipment to provide broadband service to rural areas with less than 20,000 residents.

Statutory Authority: Section 6103, Farm Security and Rural Investment Act of 2002 (P.L. 107-171) amends Section 601 of the Rural Electrification Act of 1936 (7 U.S.C. 950bb). Program is amended and reauthorized in the 2008 farm bill (Section 6110, P.L. 110-246).
Financing: Direct and Guaranteed loans. For direct loans interest rate is capped at 4%.
Eligibility Criteria: Rural areas of less than 20,000 population and outside of an urban/metro commuting area.
Funding: Mandatory funding was authorized at $20 million per year, FY2002-FY2005, and $10 million in FY2006 and FY2007. Funding of $20 million was provided in FY2003. Appropriators have blocked funding for the program in FY2004-FY2007. For FY2008-FY2012, $25 million annually is authorized. Other RUS loan and grant programs also provide discretionary funding for broadband (see above).

Local Television Loans. This program was authorized by the Launching Our Communities' Access to Local Television Act of 2000 (P.L. 106-553). The legislation provides for the establishment of the Local Television Loan Guarantee Board. The program facilitates access, on a technologically neutral basis, to signals of local television stations for households located in non-served or under-served areas.

Statutory Authority: Title X of the FY2001 Commerce, Justice, State Appropriations Act (P.L.106-553); 7 U.S.C. 1932(f); 47 U.S.C. 1103(f)(2).
Financing: Loan guarantees.
Eligibility Criteria: The Loan Guarantee Board is authorized to approve loan guarantees of up to 80% of the total loan amount for no more than $1.25 billion in loans. A guarantee may not be approved under for a project that is designed primarily to serve one or more of the top 40 designated market areas (as that term is defined in 17 U.S.C. 122(j)), in accordance with the Local TV Act, 47 USC 1103 (e)(1)(C)(I).
Funding: Loan authorization level for FY2005: $0; FY2006: $0; FY2007: $0; FY2008: $0. The Consolidated Appropriations Act of 2005 rescinded appropriations that would have been used to guarantee loans under the program.

Rural Water and Waste Disposal Program Account

The Water and Waste Disposal Program Account is one of three funding streams of the Rural Community Advancement Program (RCAP) authorized by the 1996 farm bill (P.L. 104-127). Beginning with the FY2008 Consolidated Appropriations Act (P. L. 110-161), the three RCAP accounts are subsumed under their respective administering agencies, RHS, RBS, and RUS.

The Rural Water and Waste Disposal Account, administered by RUS, supports construction and improvements to rural community water systems unable to get reasonable credit in the private market. Funding for the loan program is allocated to state rural development offices by formula where state directors set priorities particular to their state's rural needs. State directors are authorized to transfer up to 25% of the amount in each RCAP account allocated for the state to any of the other accounts.

The Water and Waste loan and grant programs assist eligible applicants in rural areas and cities and towns of up to 10,000 residents. Drinking water, sanitary sewerage, solid waste disposal and storm drainage facilities may be financed with direct and guaranteed loans and grants. Applications originate with State Rural Development offices.

Water and Waste Disposal Direct and Guaranteed Loans. Loans are made to public bodies, organizations operated on a not-for-profit basis, and Indian tribes on federal and state reservations for development of storage, treatment, purification, or distribution of water or for collection, treatment, and disposal of waste in rural areas. Loans are repayable in not more than 40 years, or the useful life of the facility, whichever is less. The water and waste disposal account is the largest of the three RCAP accounts, accounting for 87% of the total RCAP funding.

Statutory Authority: Section 306 of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1926.
Financing: *Direct* loans carry interest rates not in excess of the current market yield for comparable term municipal obligations. The interest rate on loans cannot exceed 5% (they are currently being made at 4.5%) for those areas where the (1) median household income of the service area falls below the higher of 80% of the statewide non-metro median household income or the poverty level; and (2) the project is needed to meet applicable health or sanitary standards. The intermediate rate, which is halfway between the poverty rate and the market rate, with a ceiling of 7%, applies to those projects that do not meet the requirements for the poverty rate but are located in areas where the median household income does not exceed 100% of the statewide non-metro median household income. *Guaranteed loans* are made to the same groups and for similar purposes except that loans are guaranteed by RUS for 80% of the loan amount or, in exceptional circumstances, 90% of the loan amount. The interest rate is negotiated between borrower and lender.
Eligibility Criteria: A rural area may include an area in any city or town that has a population of not more than 10,000 residents. Applicants must be unable to obtain sufficient credit elsewhere at reasonable rates to finance actual needs.

Funding: Loan authorization level for *direct* loans in FY2005: $921.4 million; FY2006: $1.06 billion; FY2007: $990.0 million; FY2008: $1.02 billion. Loan subsidies for *direct* loans in FY2005: $82.9 million; FY2006: $73.4 million; FY2007: $98.5 million; FY2008: $69.6 million. Loan authorization levels for *guaranteed* loans in FY2005: $2.9 million; FY2006: $75.0 million; FY2007: $75.0 million; FY2008: $75 million. Loan subsidy levels for guarantees for FY2005-FY2008 were $0.

Water and Waste Disposal Grants. Grants are made to public, quasi-public, and nonprofit associations as in the loan program. Grants are directed to projects serving the most financially needy communities. Grants are made to communities that have a median household income that falls below the higher of the poverty level or 100% of the state's non-metro household income. Grant amounts provide higher funding levels for projects in communities that have lower income levels but they may not exceed 75% of the eligible development costs of the project. In addition, between 1% and 3% of the grant funds appropriated each year for water and waste water is available for technical assistance and training to assist communities in identifying and evaluating alternative solutions to problems related to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing facilities.

Statutory Authority: Section 306(a)(2) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1926.
Financing: Grants.
Eligibility Criteria: Grants are made only if needed to reduce user charges to a reasonable level. For a grant of up to 70% of eligible costs, service area median household income must be below the poverty level or below 80% of the State non-metropolitan median household income, whichever is higher.
Funding: FY2005: $507.5 million (includes hurricane emergency supplemental funding); FY2006: $508.7 million (includes hurricane emergency supplemental funding); FY2007: $437.7 million; FY2008: $464.2 million.

Solid Waste Management Grants. Grants made to local and regional governments and to nonprofit organizations to provide technical assistance and training for the purposes of reducing or eliminating pollution of water resources and improving management of solid waste facilities.

Statutory Authority: Section 310B(b) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1932(b).
Financing: Grants.
Eligibility Criteria: Assistance is available in rural areas and towns with a population of 10,000 or less.
Funding: FY2005: $3.5 million; FY2006: $3.5 million; FY2007: $3.5 million; FY2008: $3.4 million.

Emergency and Imminent Community Water Assistance Grants. The program assists rural communities that have had a significant decline in quantity or quality of drinking water. Grants can be made in rural areas and cities or towns with a population not in excess of 10,000 and a median household income not more than 100% of a State's non-metropolitan median household income. Grants may be made for 100% of project costs. The maximum grant is $500,000 when a significant decline in quantity or quality of water occurred within two years, or $75,000 to make emergency repairs and replacement of facilities on existing systems.

Statutory Authority: Sections 306A and 306B of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1926(a)(b).
Financing: Grants.
Eligibility Criteria: For declared emergencies and disasters and for communities facing actual or immanent drinking water shortages.
Funding: The 2002 farm bill (P.L. 107-171) sets aside not less than 3% nor more than 5% of the total appropriated water and waste water funds for emergency community water assistance. Authorizes $35 million each year in additional funding for the program, FY2005-FY2007. For FY2005: $10.7 million; FY2006: $14.1 million; FY2007: $13.9 million; FY2008: $0.

Water and Well System Grants. This program provides funding for nonprofit organizations to finance the construction and refurbishing of household water well systems in rural areas for individuals with low or moderate incomes.

Statutory Authority: Section 6012 of the 2002 farm bill (P.L. 107-171) amends Section 306D of the Consolidated Farm and Rural Development Act is (7 U.S.C.1926d). Reauthorized in Section 6010 of the 2008 farm bill (P.L. 110-246).
Financing: Grants.
Eligibility Criteria: Priority to non-profit organizations with demonstrated expertise in providing well-water systems.
Funding: The 2002 farm bill (P.L. 107-171) authorized funding of $10 million annually, FY2002-FY2007. FY2005: $1.9 million; FY2006: $990,000; FY2007: $990,000; FY2008: $993,000.

Technical Assistance and Training (TAT) Grants. A percentage of the Water and Wastewater Grant Program is available each year to provide technical assistance for rural communities with a population of 10,000 or less. Grant funds may be used to assist communities and rural areas in identifying and evaluating solutions to water or wastewater problems, improving facility operation and maintenance activities, or preparing funding applications for water or wastewater treatment facility construction projects.

Statutory Authority: Section 306(a) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1989.
Financing: Grants.
Eligibility Criteria: Private, nonprofit organizations that have been granted tax-exempt status from the Internal Revenue Service may be eligible for grant funds provided they can demonstrate the ability, background, experience, legal authority, and actual capacity to provide technical assistance/training on a regional basis to small, rural communities.[19]

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[19] Since 1988, the Rural Community Assistance Program (RCAP), Inc., in Leesburg,
(continued...)

Funding: Formula funding based on the Water and Waste Water Grant appropriation for the current fiscal year. FY2005: $18.2 million; FY2006: $18.2 million; FY2007: $16.2 million; FY2008: 17.5 million.

Rural Water Circuit Rider Program. The program provides on-site technical assistance for the operation of rural water systems. Objective is to bring small public water systems into compliance with state and national environmental regulations. The program complements RUS loan supervision responsibilities. RUS contracts with the National Rural Water Association (NRWA) to provide this service in each state.

Statutory Authority: Section 306(a) of the Consolidated Agriculture and Rural Development Act of 1972; 7 U.S.C. 1989.
Financing: RUS has a management contract with National Rural Water Association which contracts with state water associations. State water associations operate the program.
Eligibility Criteria: Public water and waste water systems serving rural communities of 10,000 or less. Many states have further prioritized funding for very small communities.
Funding: Circuit rider staff positions are funded out of staffing authorizations for RUS. FY2005: $13.5; FY2006: $13.7; FY2007: $9.5 million; FY2008: $0.

High Energy Cost Grants. The purpose of this grant program is to provide financial assistance for a broad range of energy facilities, equipment, and related activities to offset the impacts of extremely high residential energy costs in eligible communities. Eligible facilities include on-grid and off-grid renewable energy systems and implementation of cost-effective demand side management and energy conservation programs that benefit eligible communities.

Statutory Authority: Rural Electrification Act of 1936; 7 U.S.C. 918(a).
Financing: Competitive grants**.** No cost sharing or matching funds are required as a condition of eligibility under this grant program. However, RUS will consider other financial resources available to the grantee and any voluntary commitment of matching funds or other contributions in assessing the grantee's capacity to carry out the grant program successfully and will award additional evaluation points to proposals that include such contributions. As a further condition of each grant, Section 19(b)(2) of the RE Act requires that planning and administrative expenses may not exceed 4 percent of the grant funds.
Eligibility Criteria: Areas with high energy costs are those where the average residential expenditure for home energy is 275% of the national average.
Funding: For FY2005: $34.8 million; FY2006: $27.8 million; FY2007: $27.8 million; FY2008: $19.9 million.

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[19] (...continued)
Virginia operates the Technitrain Program with grant funds under the TAT Grant Program. RCAP has operated the program since 1988. The program began with 180 communities and has expanded to around 500 communities in 47 States and Puerto Rico.

USDA Office of Community Development

The Office of Community Development (OCD) is part of the USDA rural development mission area. OCD provides support for rural development activities through USDA Rural Development's field offices. The office implements a range of special rural development initiatives such as the Rural Community Development Initiative and the Economic Impact Initiative, disseminates information about rural development strategies to rural development practitioners, and promotes communication and networking among rural development experts. OCD provides leadership and administrative oversight to two major programs: the Empowerment Zone/Enterprise Community Initiative and the Rural Economic Area Partnership Zones program.

Empowerment Zone/ Enterprise Community Initiative (EZ/EC). The EZ/EC Program is a grant-making and tax-credit initiative whose objective is to revitalize low-income rural communities in a manner that attracts private sector investment. Communities participating in the Empowerment Zone/Enterprise Community program have to meet specific criteria for characteristics such as geographic size and poverty rate. The purpose of the program is to demonstrate the value of innovative and strategic alliances between State, Federal, and local resources to improve the economic strength of rural communities. Through 3 rounds of competition, there are now 10 rural EZ areas and approximately 50 rural EC communities. The average poverty rate for designated EZ areas was approximately 35% in 2000 and the average unemployment rate approximately 14%.

Round I authorized in 1994 (Omnibus Budget Reconciliation Act of 1993, Title XIII, P. L. 103-66) produced 3 EZs and 30 ECs. Round II in 1997 (Taxpayer Relief Act of 1997, P. L. 105-34) resulted in 5 new EZs and 20 ECs. A third round authorized in 2000 (Community Renewal Tax Relief Act of 2000, P. L. 106-554) created an additional 2 EZs. The designated communities have their status as EZ/ECs until December, 2009.

Statutory Authority: Omnibus Budget Reconciliation Act of 1993, Title XIII, P.L.103-66; Taxpayer Relief Act of 1997, P.L.105-34; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1999, P.L.105-277; 42 U.S.C. 11501, et seq.
Financing: Loans and grants.
Eligibility Criteria: A competitive program. A community must be a designated Empowerment Zone or Enterprise Community.
Funding: FY2005: $12.4 million; FY2006: $11.1 million; FY2007: $11.1 million; FY2008: $8.1 million. In addition to these funds, funding for other USDA Rural Development program accounts may target EZ/EC communities. For example, the EZ/ECs are targeted in the housing and utility programs. Round I Empowerment Zones/Enterprise Communities were funded over 10 years. Round II and III sites are funded predominantly through tax credits for employers within EZ/EC sites.

1. Round I EZ Sites (1994)
1. Kentucky Highlands

2. Mississippi Mid-Delta
3. Texas, Rio Grande

2. Round II EZ Sites- Authorized by Taxpayer Relief Act of 1997 (P.L.105-34)

1.Ogalala Sioux Reservation
2.Desert Communities, California
3. Southernmost, Illinois
4. Griggs-Steele, Southwest Georgia
5. Lewiston, Maine

3. Round III EZ Sites - Authorized by the Community Renewal Tax Relief Act of 2000; Consolidated Appropriations Act of 2001

1. Aroostook County, Maine
2. Middle Rio Grande (FUTURO), Texas

Rural Economic Area Partnership Zones (REAP). This is a pilot program for rural revitalization. The program assists rural communities suffering from out-migration, economic crises, and geographic isolation. Designated REAP Zones receive modest technical and financial assistance from USDA as well as other federal agencies. REAP zones also receive special consideration and preferences under regular Rural Development loan and grant programs. Similar to the EZ/EC programs, REAP zones engage in community-based, long-term planning and regularly report on their progress using OCD's performance and benchmark reporting system.

In 1995, two zones in North Dakota were initially designated to participate in the REAP initiative. Subsequently, two areas in upstate New York were added in 1999. In 2000, a rural area in Vermont was designated as the fifth REAP Zone.

Statutory Authority: Presidential Memorandum dated August 5, 1993; variously dated Memoranda of Agreement; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001 (P.L. 106-387). Reauthorized in the 2008 farm bill (Section 6016, P.L. 110-246, 7 U.S.C. 1932 et seq.)
Financing: Grants.
Eligibility Criteria: Designation by the Secretary as a REAP Zone.
Funding: In addition to appropriations to the EZ/EC/REAP program, appropriators also provide targeted funding to REAP Zones through various RHS, RBS, and RUS accounts and through the funds appropriated for the EZ/EC program above.

National Rural Development Partnership. The National Rural Development Partnership (NRDP) was authorized by the 2002 farm bill. The NRDP coordinates the efforts of public, private, and nonprofit groups interested in rural development issues. State Rural Development Councils, which exist in 36 states, are the major operative agents within the Partnership. The Partnership also includes the National Partnership Office which is housed in USDA and a National Rural Development Council. The latter consists of senior program managers from 40 federal agencies involved with rural development activities and national representatives of public interest and private sector organizations.

Statutory Authority: Farm Security and Rural Investment Act of 2002 (Section 6201). Program was reauthorized in the 2008 farm bill (Section 6019, P.L. 110-246)
Financing: State rural development offices provide matching funding to support partnership activities with State Rural Development Partnership Councils.
Eligibility Criteria: State Rural Development Partnership Councils are composed of broadly representative pubic and private organizations.
Funding: The 2002 farm bill (P.L. 107-171) authorized $10 million in each fiscal year FY2003-FY2007. No appropriations provided for FY2003-FY2007, although the appropriators have encouraged the Secretary to support the NRDP through existing program funding. The program is reauthorized in the 2008 farm bill (P.L. 110-246).